



HP Hood LLC Six Kimball Lane Lynnfield, MA 01940 (617) 887-3000

August 11, 2008

The Honorable A.C. Kawamura, Secretary
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814

Dear Secretary Kawamura:

On behalf of HP Hood LLC, I am writing to request that the Department of Food and Agriculture deny the petition filed by the Alliance of Western Milk Producers proposing amendments to the Class I, II and III pricing formulas, which would provide a \$1.00/cwt. surcharge for six months.

As you know, under the current price schedule, there is more milk being produced than can be processed in the state, and California is already experiencing an increase in packaged milk being brought in from surrounding states, causing significant competitive problems. Raising prices will only further hinder the competitiveness and market share of California's Class I & II processors given some of the price disparities among neighboring states and will cause California producer prices to fall even lower.

Class I milk prices continue to be at historic high levels and Class I consumption is already being negatively impacted by the current price. The premise that fluid milk consumption is **inelastic** has been proven to be **incorrect**. How much lower would consumption go if this surcharge is realized?

Finally, the major cooperatives have instituted programs to limit raw milk production to 2007 levels and the recent CWT herd retirement will lead to some much needed contraction in the milk supply. Increasing Class I, II and III prices would be an inefficient, short-term response to producer concerns.

We appreciate your attention to this matter and we urge you to deny the Alliance petition.

Sincerely,

A handwritten signature in cursive script that reads "Mike Suever".

Mike Suever
Senior Vice President, R&D, Engineering and Procurement
HP Hood LLC

Cc: Ms. Kelly Krug
Mr. David Ikari